HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
2013 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--MUTUAL MORTGAGE & COOPERATIVE MGMT. HOUSING INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2011 Appropriation	$207,000[a]	...	-$414	$206,586	$112,962[d]	$91,572[d]
2012 Appropriation/Request	207,000[b]	...	...	207,000	135,500[d]	120,000[d]
2013 Request	215,000[c]	...	...	215,000	142,782[d]	136,000[d]
Program Improvements/Offsets	+8,000	...	...	+8,000	+7,282	+16,000

a/ Includes non-expenditure transfers of $70.7 million to the HUD Working Capital Fund and $1.4 million to HUD's Transformation Initiative account. These amounts are excluded from obligations and outlays.
b/ Includes a non-expenditure transfer of $71.5 million to the HUD Working Capital Fund. This amount is excluded from obligations and outlays.
c/ Includes non-expenditure transfer of $71.5 million to the HUD Working Capital Fund. Also includes an estimated Transformation Initiative (TI) transfer of $717,500 in fiscal year 2013; the TI transfer may be up to 0.5 percent of Budget Authority. These amounts are excluded from obligations and outlays.
d/ Excludes upward re-estimate.

1. What is this request?

The Mutual Mortgage Insurance (MMI) Fund is the largest fund covering activities of the Federal Housing Administration (FHA). Since 1934, mortgage insurance provided by FHA has made financing available in neighborhoods and geographic areas facing economic uncertainty, and to individuals and families not adequately served by the conventional mortgage market. Through MMI, the Department offers several types of single family forward mortgage insurance products and Home Equity Conversion Mortgages (HECMs) for seniors. Activity for the Cooperative Management Housing Insurance (CMHI) Fund – which insures mortgages for multifamily cooperatives – is reported together with MMI.

The fiscal year 2013 Budget request will enable FHA to continue in its mission of providing access to mortgages for low- and moderate-income families, and to play an important countercyclical role in the stabilization and recovery of the nation's housing market. By facilitating the availability of vital liquidity through a variety of HUD-approved lenders, including community and national credit unions and banks, FHA has helped over 2 million families buy a home since President Obama took office – 75 percent of whom were first-time buyers. FHA has also helped nearly 1.5 million existing homeowners refinance into stable, affordable products, with an average monthly savings from their previous mortgage payment exceeding $100. FHA's share of the mortgage market has gone from a low of 3.1 percent of loan originations in 2005, up to a peak of 24 percent in the second quarter of 2010, and more recently down to 17 percent in 2011.

The fiscal year 2013 request for MMI includes four components:

- ***Appropriations for Administrative Contracts.*** The Department requests an appropriation of $215 million for administrative contract expenses for fiscal year 2013; of this amount, up to $71.5 million will be transferred to the Working Capital Fund for FHA systems costs. The amount not transferred supports administrative functions for all of FHA programs, including multifamily and healthcare programs operating under the General and Special Risk Insurance Fund (GI/SRI).
- In fiscal year 2013, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; technical assistance and capacity building, and information technology. Departmentwide, no more than $120 million is estimated to be transferred to the Transformation Initiative Fund account in fiscal year 2013, although transfers could potentially total up to $214.8 million. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.
- For fiscal year 2013, the increase in funding requested for FHA's administrative contract expenses is necessary to support the following FHA activities:
    - <u>Enhanced Risk Analysis and Management</u>. As part of the Department's credit risk improvements, an Office of Risk Management was established during fiscal year 2010. With this new office and additional staffing, FHA is expanding its capacity to assess financial and operational risk, perform more sophisticated data analysis, and respond to market developments. A portion of the additional administrative contract funds requested in fiscal 2013 will be used to provide additional contract support for this newly created organization. The funds will be used on both the Single Family and Multifamily FHA portfolios.
    - <u>Continue improvements to modeling techniques</u>. The FHA Commissioner and the financial statement auditors have asked FHA to do more in-depth data analyses by product type as well as borrower type to continually improve modeling capabilities for both the single family forward and HECM programs. Beginning with the fiscal year 2013 budget cycle, FHA is incorporating stochastic analysis into its multifamily cash flow projection models and will do for single family models in 2014. This change will enable FHA to offer probabilities and other details for a range of possible outcomes, helping policy makers and program administrators to make more informed decisions and reduce risk in the portfolio.

- ***Commitment authority for up to $400 billion in new loan guarantees.*** The fiscal year 2013 Budget requests $400 billion in loan guarantee limitation which is to remain available until September 30, 2014. This limitation includes sufficient authority for insurance of single family mortgages, mortgages under the HECM program, and the FHA Short Refinance program. Loan volume projected for all MMI programs for fiscal year 2013 is $219.6 billion. Of that total, $149 billion is estimated for standard forward mortgages, $18.7 billion for HECM, and $51.9 billion for FHA Short Refinances. The amount requested above the 2013 projection minimizes the potential for reaching the limitation and having to suspend program activity prior to the end of the year.
- ***Negative Subsidy Receipts.*** The $220 billion in loan volume projected for the entire MMI portfolio is expected to generate $8.2 billion in negative subsidy receipts, which are transferred to the MMI Capital Reserve where they are available to cover any projected cost increases for the MMI portfolio.
- ***Commitment authority for up to $50 million in direct loans to facilitate single family property disposition.*** The loan authority requested is for short-term purchase money mortgages for non-profit and governmental agencies to make HUD-acquired single family properties available for resale to purchasers with household incomes at or below 115 percent of an area's median. This program has been infrequently utilized in recent years, but remains a valuable tool for HUD in managing its property portfolio. The loan program is designed to operate at break-even for the government, so no credit subsidy is involved.

Approval of this request will allow FHA to continue its work in stabilizing the nation's housing market and supporting homeownership, especially for low- and moderate-income borrowers and first-time homebuyers. FHA programs are central to HUD's achievement of its strategic goal to "strengthen the nation's housing market to bolster the economy and protect consumers." More specifically, FHA is making it a priority focus to assist homeowners through early delinquency intervention, loss mitigation programs, and specific joint efforts with the Department of Treasury, including: the Home Affordable Modification Program and the FHA Short Refinance program for underwater borrowers with conventional loans. As of fiscal year-end 2011, 406,234 cases of loss mitigation activity had been reported, which exceeds the goal of assisting 300,000 homeowners by the end of FY 2011. At least 85 percent of those loans participating in loss mitigation are expected to stay current for 6 months or longer.

2. What is this program?

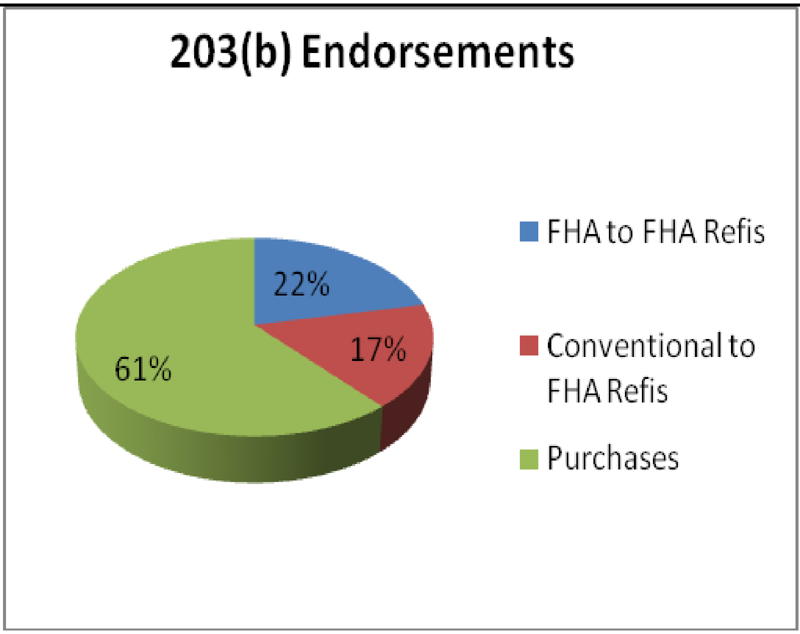
FHA is the largest insurer of mortgages in the world, insuring over 40 million home mortgages since 1934. In exchange for adherence to strict underwriting and application requirements established by HUD and the payment of insurance premiums, HUD-certified lenders are able to file claims with FHA when a borrower defaults. The FHA includes a strong, mandatory loss mitigation program. Mortgage insurance premiums and specific terms for claim payments vary by program. FHA insurance has played a key role in mitigating the effect of economic downturns on the real estate sector, as FHA does not withdraw from local markets during periods of recession. Through program reforms FHA has become a key support for the national mortgage market and is mitigating the foreclosure crisis and the overall economic downturn.

At the end of fiscal year 2011, the MMI insurance portfolio included 7.1 million loans with an unpaid principal balance of just over $1 trillion. FHA mortgage insurance enhances a borrower's credit and provides banks with better access to capital markets, most notably through Ginnie Mae securities. FHA has long been a valuable resource for enabling the purchase of a first home, especially among minority and low-income families. FHA loans are highly attractive to borrowers who are credit-worthy but have difficulty assembling a large down payment or securing conventional financing.

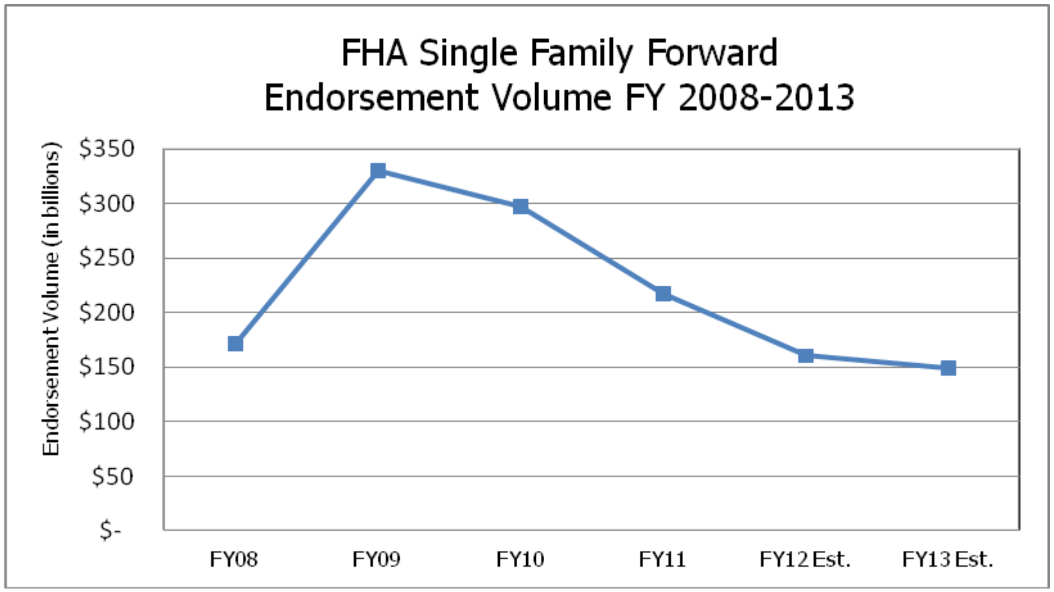
For budgetary purposes, the programs of the MMI Fund are broken into three risk categories, each of which is discussed below: Forward Mortgages, FHA Short Refinances, and HECM.

Fiscal Year 2011 MMI Endorsement Volume by Loan Product

	Loans	*Amount*
203(b) (excluding condos)	1,120,824	$203,125,125,942
Condominiums	54,237	$10,713,171,774
203(k) Rehabilitations	21,296	$3,657,999,372
Other	278	$223,493,703
Forward Total	*1,196,635*	*$217,719,790,791*
HECM	73,131	$18,224,410,152
FHA Short Refi	334	$73,263,044
MMI TOTAL	**1,270,100**	**$236,017,463,987**

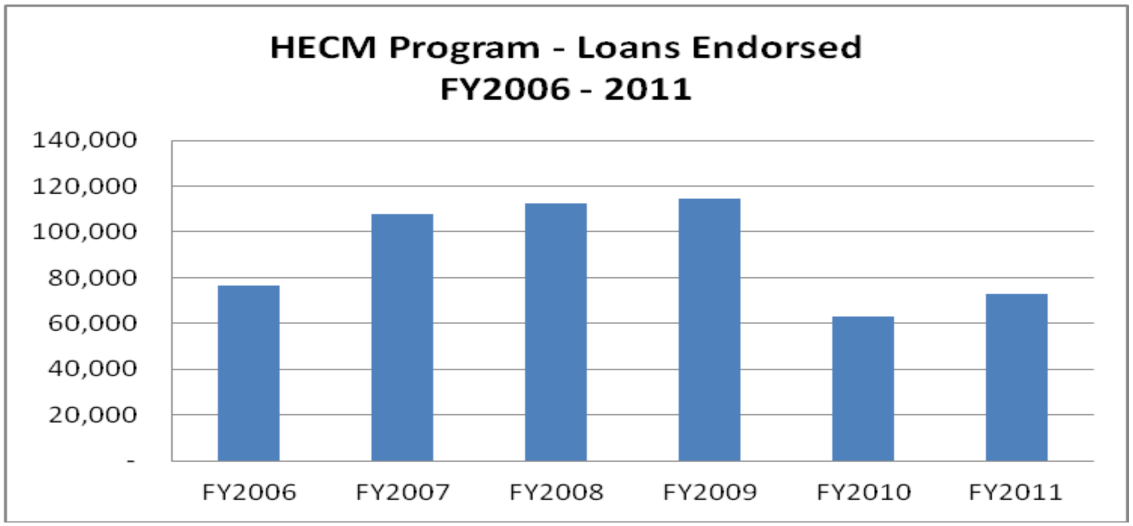


Forward Mortgages. The largest FHA insurance program is the single family program authorized under Section 203(b) of the National Housing Act. In fiscal year 2011, endorsements under 203(b) were $203 billion, out of the MMI Fund's total of $236 billion. Beginning in fiscal year 2009, FHA consolidated a majority of its single family mortgage programs under this risk category including those for condominiums, purchase of homes on Indian and Hawaiian lands, and rehabilitation loans (Section 203(k)). Single family programs provide mortgage insurance for the purchase and refinance on 1-4 unit homes. Maximum mortgage amounts insured by FHA are calculated annually by HUD and are tied to the median house price in each county. In fiscal year 2011, the limits started at $271,050 and went as high as the temporarily expanded mortgage limit ceiling of $729,750 in "high cost" areas. Maximum mortgages in high cost areas were legislatively increased in 2008 (from no more than 87 percent of the conforming loan limit to 175 percent) in order to expand the number of families who would be able to access affordable mortgage financing during the economic downturn. FHA activity peaked in fiscal year 2009, when monthly volume surpassed $25.8 billion, compared to just $4.7 billion in 2007. From this peak, FHA's annual endorsement volume dropped markedly through 2010 and 2011, and is projected to continue at a decreasing pace in fiscal year 2012 before stabilizing in the out years.



FHA Short Refinance. In fiscal year 2010, HUD and the Department of Treasury announced enhancements to FHA's refinance program that give a greater number of responsible borrowers the opportunity to remain in their homes. The enhancements were designed to maintain homeownership by borrowers who owe more on their mortgage than the value of their home with opportunities to refinance into an affordable FHA loan. This program allows a borrower who is current on his mortgage to qualify for an FHA refinance loan, provided that the lender or investor writes off the unpaid principal balance of the original first lien mortgage by at least 10 percent. Under current policy, applications for the negative equity refinance program will be accepted only through December 31, 2012. FHA and Treasury are extending the program through the end of 2014.

HECM. FHA's HECM program allows senior homeowners age 62 and older access to FHA-insured reverse mortgages to convert the equity in their homes into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the homes. In fiscal year 2010, HUD introduced a new product – HECM Saver – that offers lower upfront loan closing costs for mortgagors who want to borrow a smaller amount than that available with the Standard HECM product. Homeowners who select either option are required to receive consumer education and counseling by a HUD-approved counselor so they can be sure this program meets their needs. The amount a borrower is eligible for is based on the borrower's age, the current interest rates, and the lesser of the appraised property value or the FHA mortgage limit for HECM. Unlike forward mortgage borrowers, the HECM borrower has no income or credit qualifications to meet and makes no payments as long as the property securing the HECM loan is his main residence. For fiscal year 2012, it is estimated that over 72,585 loans will be endorsed under HECM programs, with approximately 10 percent of those being for the HECM Saver product. A 2 percent increase in loan volume is projected for fiscal year 2013. From the beginning of the HECM program in fiscal year 1990 through fiscal year 2011, over 723,129 loans have been endorsed under the program. Over 65 percent of these loans were endorsed during fiscal years 2007 through 2011.



Staffing

FTE	2011 Actual	2012 Estimate	2013 Estimate
Headquarters	294	275	275
Field	781	805	805
Total	1,075	1,080	1,080

Descriptions of work to be performed by FTE (Headquarters and Field) allocated to MMI Programs

The primary workload for FHA programs in the MMI fund is carried by HUD's Office of Housing, mainly the Office of Single Family Housing. Critical functions are also supported by financial, procurement, IT, and other administrative organizations.

Within the Office of Single Family Housing, Headquarters staff: develop and update policy related to all aspects of implementing the program; provide oversight of FHA approved-lenders; provide oversight and monitoring of field staff implementation of policy and procedures related to FHA programs; ensure that adequate funding is provided to the field for necessary contract services required to implement the program; provide technical support and assistance to field staff; and review regulatory waiver requests.

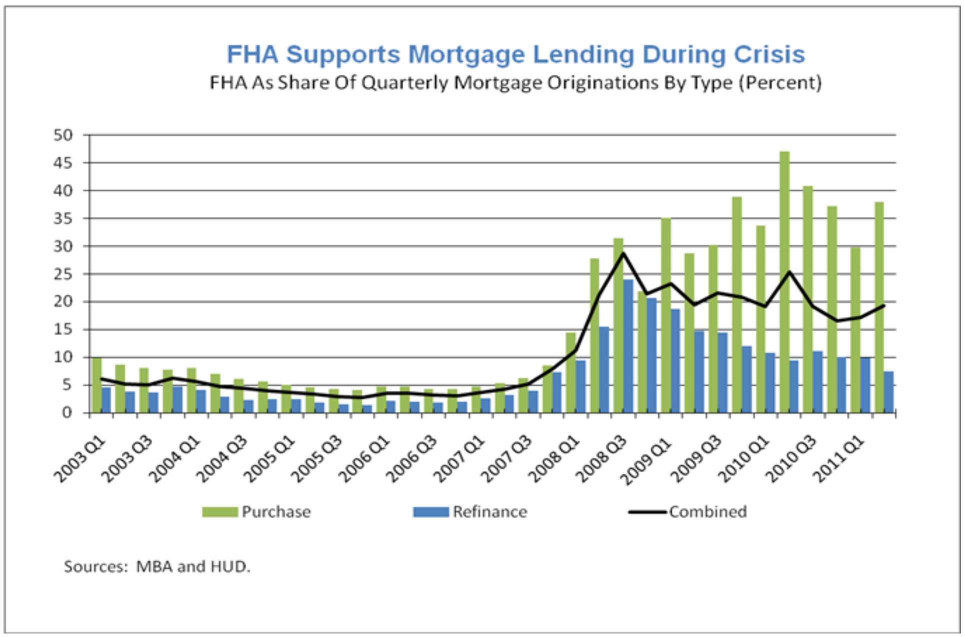
Field Staff perform the following functions in administering FHA Mortgage Insurance Programs: provide oversight of contractors that process case-level endorsement for mortgage insurance; review underwriting and mortgage credit analyses of pre-endorsement files for individual test-phase lenders; provide oversight of contract field appraisers that conduct site reviews; monitor appraisers for compliance with FHA requirements; participate in marketing and outreach of FHA programs; train FHA lenders; provide technical assistance to lenders for facilitation of loan endorsements; provide oversight of condominium approval process; monitor originating lenders and servicing lenders for FHA requirement compliance; provide oversight of field service managing and asset managing contractors that perform property preservation and sales for the HUD-held real estate owned inventory; and provide on-going assistance and support to Field Policy Management staff throughout the nation.

3. Why is this program necessary and what will we get for the funds?

FHA provides mortgage insurance on single family mortgage loans made by FHA-approved lenders throughout the United States and its territories, encouraging the return of private capital to the housing market. FHA's single family mortgage insurance program supports our nation's housing recovery by meeting the needs of borrowers facing difficult economic conditions, such as declining property values and contracting credit markets due to the dearth of lending by private lenders and insurers. FHA remains active and viable in all markets during times of economic disruption, playing an important counter-cyclical role until private capital returns to its natural levels.

The HECM program fills a special niche in the national mortgage market and offers critical opportunities for the nation's seniors to preserve their quality of life by tapping into their home equity. According to a 2009 study by MetLife's Mature Market Institute, today's issues of increased longevity, rising health care and other costs, fewer defined benefit pension programs, and diminished investment values have put extraordinary pressure on seniors in finding new sources of income and creative ways to stretch out accumulated savings during retirement. To supplement their budgets, older homeowners are increasingly considering the option of tapping their housing wealth. However, options once available to tap home equity, such as selling the home and moving to less costly housing, are also more limited in today's market as homes can languish on the market for extended periods of time, and when they do sell, the price may be 25 percent or more below the homes' pre-crisis value. Reverse mortgages are another viable option. Due to the tightening of conventional credit since the housing crisis, HECM has become nearly 100 percent of the reverse mortgage market. Eventually, conventional reverse mortgages may become available again, but for the immediate future, HECM *is the market* for this much needed loan product. The Budget also proposes to permanently lift the statutory cap on the number of HECM guarantees. Prior appropriations have lifted the cap only for the year in question. This change will help the program operate without disruption.

The fiscal year 2013 Budget request will provide the commitment authority and administrative funding for FHA to continue its important work.



Commitment Authority and Subsidy Projections

Below is a table indicating loan commitment volumes, credit subsidy rates, and subsidy obligations for each MMI risk category in fiscal year 2013. Credit subsidy rates represent the projected net cost (positive credit subsidy) or savings (negative credit subsidy) to the government of operating a loan guarantee program, and take into account projected claims, pre-payments, premium revenue, and recoveries on defaults for a cohort of loans over their lifetime. For more information on credit subsidy calculation please see the Notes section.

MMI COMMITMENT VOLUME BY RISK CATEGORY (in thousands)	FY 2012 Commitments Estimated	FY 2013 Commitments Estimated	FY 2013 Subsidy Rate	FY 2013 Negative Subsidy
MMI Purchase and Refinance	$160,500,000	$149,000,000	-5.38%	($8,016,200)
MMI HECM	18,271,000	18,700,000	-.92%	(172,040)
FHA Short Refi	51,862,000	51,862,000	0.00%	0
Totals	$230,633,000	$219,562,000		($8,188,240)

Administrative Contract Appropriations

The request for fiscal year 2013 will provide funding for contracts necessary in the administration of all FHA programs, including those operating under MMI and GI/SRI. (Beginning in fiscal year 2010, appropriations for FHA administrative contracts were consolidated under MMI to allow for more efficient management of funds.) The request includes $71.5 million that will be transferred to the HUD Working Capital Fund for the maintenance and development of mission critical systems. Funds remaining in the MMI program account will fund activities including, but not limited to: construction inspections on multifamily projects, the required annual FHA actuarial review and financial audit, management and oversight of asset disposition, risk analysis and accounting support, and assistance with claims and premium refund processing.

4. How do we know that this program works?

FHA continuously monitors and evaluates the results of its programs, and updates its policies as necessary to take into consideration product performance as well as market forces. To address current and difficult conditions in the housing market, aid homeowners, and mitigate risk to FHA's insurance fund, FHA develops new programs, modifies existing programs and improves controls. For example, FHA has recently modified its premium structure and tightened underwriting requirements for forward mortgages, steps necessary to raise negative subsidy receipts and restore FHA's capital reserve.

The continued weakness in the housing market and reduction in private lending have increased the demand for loss mitigation actions, and FHA has expanded its tools to meet that need. The Department has provided increased targeted loss mitigation training for lenders, and has increased monitoring of mortgagees and services to assure they are making sincere efforts to curb foreclosures. As part of its annual performance plan, the Department established an agency priority goal to assist homeowners who are at risk of losing their homes due to foreclosure. For FHA, that translates to specific targets and tracking of its early delinquency intervention efforts and loss mitigation program. For fiscal years 2010 and 2011, HUD assisted 496,197 homeowners with early intervention actions such as formal forbearance agreements, surpassing the 2-year target of 400,000 by 24 percent. During the same period, FHA also assisted 406,234 homeowners through its loss mitigation program, exceeding the 2-year goal by over 35 percent. HUD's loss mitigation efforts can be considered successful only if the program has effective solutions for homeowners in both the short and long term. In 2011, HUD set a target of having no more than 20 percent of loans that received loss mitigation assistance experience a re-default within 6 months. That goal was exceeded with an actual re-default rate of only 13.6 percent.

Strengthening FHA Business Practices

The fiscal year 2009 Omnibus Appropriations Act provided FHA with $4 million, in direct appropriations to the HUD Working Capital Fund, to develop a strategic plan for Information Technology. Once completed, this plan became the foundation for FHA Transformation Initiatives with the goal of developing and implementing a modern financial services information technology environment to better manage and mitigate counterparty risk across all of FHA's Insurance Programs. Specifically, FHA Transformation will enable risk detection and fraud prevention by capturing critical data points at the front-end of the loan lifecycle, and leveraging the right set of risk and fraud tools, rules based technology, and transactional controls to minimize exposure to FHA's Insurance Funds. This will protect consumers and support the housing market by ensuring compliance with FHA's underwriting standards.

FHA Transformation will also provide decision-makers with higher quality data and lower data latency to facilitate enhanced business analytics and informed decision-making. This will enable FHA's leadership to analyze portfolio trends and patterns across the lending community, and will help with the identification of fraudulent lenders and reduce risk in the FHA portfolio. Finally, FHA Transformation will allow the business to start the careful process of migrating relevant portions of our legacy applications, most of which were built with a 1970's era programming language, to the modern financial services environment. The use of commercial off-the-shelf products will minimize operational risk as FHA migrates relevant portions of our legacy applications to our new environment. FHA's experience with the Hope for Homeowners program provides a clear illustration of the expected benefits from the FHA Transformation Initiatives. Implementing the Hope for Homeowners program required roughly $20 million of system changes, the modification of over 10 contracts, and 4 months of staff work across multiple HUD offices. In comparison, modern financial services technology will allow rules-based changes to be made more quickly and at much lower cost.

In sum, the FHA Transformation Initiatives will provide FHA with the ability to:

- ✓ Detect and prevent fraud, waste, and abuse by lenders and borrowers;
- ✓ Modernize 40-year-old FHA systems and processes;

- ✓ Manage credit risk prudently at both the portfolio and loan level; and
- ✓ Respond rapidly to changing market conditions.

Strengthening FHA's Capital Reserves

HUD's fiscal year 2011 Report to Congress on the status of the MMI Fund conveyed that the Fund's capital ratio as of the end of fiscal year 2011 was 0.24 percent – below the 2 percent level mandated by statute. Building upon a number of policy changes initiated in 2009 and 2010 to better manage risk to the MMI Fund, FHA is currently exploring and will soon announce a series of steps to further strengthen the MMI Fund. These include:

- Premium increases – The Temporary Payroll Tax Cut Continuation Act of 2011 (H.R. 3630) mandated an increase in FHA's annual insurance premiums. In accordance with this legislation, FHA will soon implement a 10 basis point increase to annual premiums for single family forward mortgages. "Jumbo" loans with an original principal balance above $625,500 will pay an additional 25 basis points, resulting in a total increase of 35 basis points for these loans. FHA continues to evaluate other potential increases to its premiums to protect the fund while balancing the need to do so in a manner that does not impact market recovery.

- Lender enforcement – A final rule is scheduled to be published in the second quarter of fiscal year 2012 which outlines new indemnification requirements for lenders participating in the Lender Insurance (LI) Program, whereby they will be required to indemnify HUD for losses associated with loans that were improperly originated, or for which fraud or misrepresentation were involved. This rule will permit FHA to improve its oversight of LI lenders and better protect its insurance Funds from the adverse effects of non-compliant loans. In addition, a proposed rule regarding potential reductions in seller concessions will also be published in the very near future, which if ultimately enacted, will better reduce risks to FHA associated with inflated appraisals. FHA also continues to evaluate other opportunities to further strengthen its counterparty risk management as well.

- Loss mitigation – FHA is looking at additional mechanisms to assist distressed borrowers to keep them in their homes, or, if necessary, transition to other housing options. This includes exploring additional mechanisms to facilitate refinance activity whereby distressed borrowers can benefit from today's low interest rates, and the execution of a robust and impactful housing counseling strategy that equips homeowners to make smart housing choices and obtain assistance when necessary.

- Borrower qualifications – FHA is constantly evaluating its underwriting criteria to ensure that responsible borrowers can access sustainable homeownership opportunities. Toward that end, FHA is making changes to its TOTAL Mortgage Scorecard to better ensure that borrowers are receiving adequate consideration by lenders, and considering the sufficiency of various other components of its underwriting approach to ensure that qualified borrowers are able to access and sustain mortgages insured by FHA.

- REO and Pre-REO recovery - Through the Mortgage Acquisition and Disposition Initiative (601 Notes Sales) and various pilot opportunities resulting from the Request For Information process initiated in conjunction with FHFA and Treasury, FHA hopes to implement successful strategies to increase REO recovery rates and limit losses to the MMI Fund.

In total, FHA expects that the steps outlined above will protect and strengthen FHA's MMI Fund and assist in returning the Fund's capital ratio to a level of 2 percent. Under current economic and loan performance assumptions, the Budget projects the Capital Reserve will grow significantly starting in 2013 and the capital reserve ratio will reach the target level of 2 percent in 2015.

5. Notes to Justification

Credit Subsidy Calculations and the Annual Re-estimate

Credit subsidy rates represent the projected net cost or savings to the government of operating a loan guarantee program, and take into account projected claims, pre-payments, premium revenue, and recoveries on defaults for a cohort of loans over their lifetime. In accordance with the Credit Reform Act of 1990, administrative costs (excluding property disposition) are not included in credit subsidy calculations. FHA credit subsidy rates reflect historic performance data for similar loans made over the past 40 years, with adjustments made for significant policy shifts as well as changing economic and market conditions. The Department devotes significant efforts to updating and continuously refining the credit subsidy estimates. Each year the extensive statistical base, from which projections of future loan performance are calculated, is updated with an additional year of actual data. The Department and OMB continue to examine the data, assumptions, and calculations that are used to estimate loan program cash flows and subsidy rates in order to eliminate errors and improve the accuracy and reliability of projections.

Each year, FHA completes a required re-estimate of liabilities and subsidy costs associated with the existing insurance portfolio. Revised liability estimates take into account another year of actual loan portfolio performance and the latest economic assumptions. Vacancy rates, Treasury interest rates, and house price appreciation are among the key variables that shape MMI projected cash flows. Multivariate statistical models generate the claim and prepayment rates that drive the fund's financial worth. To determine the amount of the re-estimate, the revised liabilities (net of projected loan default recoveries) are compared to the current assets on hand. When assets exceed projected liabilities, a downward re-estimate occurs with the difference being transferred to the MMI Capital Reserve account. When projected liabilities exceed assets, an upward re-estimate occurs and the fund must transfer cash from its Capital Reserve account to bring the assets and liabilities in balance. For example, if the portfolio of loans made in a given year has a net liability of $250 million and cash on hand of $300 million, then the cohort would require a downward re-estimate in which $50 million would be moved from the fund's financing account (which handles all loan guarantee cash flows) to the MMI Capital Reserve account. Re-estimates are calculated each year for each cohort of loans (from 1992 onward). Three MMI cohorts have net lifetime downward re-estimates, meaning costs to the government for that group of loans are now projected to be less than the original subsidy calculation. Seventeen cohorts have a lifetime upward re-estimate, meaning the original subsidy calculation is now believed to have underestimated the costs.

HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2011 Budget Authority	2010 Carryover Into 2011	2011 Total Resources	2011 Obligations	2012 Budget Authority/ Request	2011 Carryover Into 2012	2012 Total Resources	2013 Request
Administrative Contract Expense	$134,575	...	$134,575	$112,962	$135,500	...	$135,500	$143,500
Working Capital Fund transfer	70,652	...	70,652	...	71,500	...	71,500	71,500
Transformation Initiatives transfer .	1,359	...	1,359	...	...	...	...	...
Total	206,586	...	206,586	112,962	207,000	...	207,000	215,000

NOTE: The 2011 Budget Authority for Administrative Contract Expenses includes $414,000 of the governmentwide rescission.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Appropriations Language

The fiscal year 2013 President's Budget include proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

New commitments to guarantee single family loans insured under the Mutual Mortgage Insurance Fund shall not exceed $400,000,000,000, to remain available until September 30, [2013] *2014: Provided, That during fiscal year* [2012] *2013, obligations to make direct loans to carry out the purposes of section 204(g) of the National Housing Act, as amended, shall not exceed $50,000,000: Provided further, That the foregoing amount in the previous proviso shall be for loans to nonprofit and governmental entities in connection with sales of single family real properties owned by the Secretary and formerly insured under the Mutual Mortgage Insurance Fund. For administrative contract expenses of the Federal Housing Administration,* [$207,000,000] *$215,000,000, to remain available until September 30,* [2013] *2014, of which up to $71,500,000 may be transferred to and merged with the Working Capital Fund: Provided further, That to the extent guaranteed loan commitments exceed $200,000,000,000 on or before April 1, 2012, an additional $1,400 for administrative contract expenses shall be available for each $1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below $1,000,000), but in no case shall funds made available by this proviso exceed $30,000,000. (Department of Housing and Urban Development Appropriations Act, 2012.)*

Changes from 2012 Appropriations

The 2013 request for administrative contract expenses is $215 million; $8 million more than that requested in 2012.